



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

July 2, 2008

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First District

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Second District

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Third District

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Fourth District

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Fifth District

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name.

SACRAMENTO UPDATE

State Budget Update

Our Sacramento advocates advise that rumors are circulating throughout the Capitol about the status of budget negotiations. Some reflect a positive outlook while others emphasize partisan differences. The only certainty is that the beginning of the new Fiscal Year has arrived without a Budget.

The Legislature was originally scheduled to recess from July 3, 2008 through August 4, 2008. Yesterday, the Senate issued a memo to its members stating that Floor Sessions are scheduled for July 2, 3, 7, 10 and 14, 2008 and that no other Sessions would be scheduled during the Summer Recess unless "Budget matters arise." The memo also indicated that the Senate Committee on Appropriations will meet on July 7 and 14, 2008.

The Assembly has not yet issued a formal schedule for the same period. However, sources suggest that the Assembly will conduct a Floor Session on July 3, 2008. In addition, the sources indicate that the Assembly Committee on Appropriations may meet on July 14, 21, and 28, 2008. According to the Speaker's Office, the official schedule will be available on Thursday, July 3, 2008.

"To Enrich Lives Through Effective And Caring Service"

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Pursuit of Position on State Budget Issue

On June 4, 2008, Governor Schwarzenegger proclaimed a Statewide drought and issued Executive Order S-06-08 directing the California Department of Water Resources (DWR) and other State agencies to take specific actions to reduce the impacts of the drought and improve local agencies' abilities to meet anticipated water demands. The Executive Order included a directive for DWR to expedite existing grant programs for local water districts and agencies for new or ongoing water conservation and water use reduction programs and projects that are capable of timely implementation to ease drought conditions in 2008 or 2009.

Los Angeles County has developed numerous programs and projects specifically intended to conserve and reduce the use of water. These programs include certain unfunded projects that could be implemented in a timely manner. They have been recently submitted for consideration as part of the Integrated Regional Watershed Management Implementation Grant Program under Proposition 50. Significant funding allocations also are available under Proposition 84 and Proposition 1E for water quality, water supply, and flood management projects. DWR is currently working to establish criteria and grant application processes for funding from these Propositions.

The Department of Public Works (DPW) and this office support the directives outlined in the Governor's Executive Order and also support appropriation of additional funds from Propositions 84 and 1E to DWR for allocation to local agencies to implement critical water resource projects. Support for this action is consistent with your Board's action of July 1, 2008 accepting the recommendations outlined in DPW's report on the Governor's declaration of a Statewide drought. **Therefore, our Sacramento advocates will support additional funding from Propositions 84 and 1E.**

Pursuit of County Position on Legislation

SB 201 (Florez), as amended on June 18, 2008, would prohibit a raw milk dairy farm which chooses to develop and maintain a Hazard Analysis Critical Control Point (HACCP) plan from being required to comply with bacterial standards established in existing law. HACCP is a plan which identifies chemical, physical, or microbial hazards associated with the production and distribution of raw milk and minimizes these hazards by monitoring and controlling the process at selected points. SB 201 would require the HACCP plan to be approved or rejected by the California Department of Food and Agriculture (CDFA) and the California Department of Public Health. A raw milk dairy farm that has implemented a HACCP plan would be required to provide HACCP plan training for employees and to document such training. Raw milk would be subjected to bacterial tests twice a week; however, the results of these tests could not be used for enforcement purposes. A raw milk dairy farm that does not choose to opt in to the

requirements of this bill would continue to be required to comply with existing bacterial standards.

Existing law established by AB 1735 (Assembly Committee on Agriculture) of 2007 requires raw milk that is sold to the public to meet a microbial standard of 10 coliform bacteria or less per milliliter. This standard was developed in response to outbreaks of harmful bacteria caused by the consumption of raw milk. In March 2008, the two raw milk dairy operators in the State were granted a temporary restraining order which barred the CDFA from using the new bacterial standard. However, in May 2008, the court denied a request to continue the prohibition and ordered the temporary restraining order to be lifted after the State argued that it had a rational basis for establishing the standard in order to protect the public from food related illness.

In April 2008, the Senate Agriculture Committee and the Senate Select Committee on Food-Borne Illness convened a joint informational hearing on raw milk. Participants noted that raw milk processing lacks a single critical control point, or kill-step, such as pasteurization, that is designed to eliminate pathogens in milk, citing the Federal Food and Drug Administration warning that raw milk is inherently dangerous. The raw milk industry indicated that the current bacterial standard would drive the existing two raw milk producers in the State out of business. Raw milk consumers testified that milk in its natural state is full of beneficial enzymes, vitamins, proteins, and "good" bacteria that help to counter conditions as diverse as lactose intolerance, asthma, allergies, ear infections, and autism.

The County Department of Public Health (DPH) indicates that maintenance of the current raw milk test standards for bacteria is necessary for protection of raw milk consumers, especially for populations most vulnerable to bacterial infections, such as the chronically ill, the elderly, and infants. DPH further contends that the current standard does not present an unreasonable burden to raw milk producers because proper cleaning and care of the animals and proper sanitary procedures for workers and equipment are all that is required for compliance. The Health Officers Association of California indicate that California consumers have long expected and assumed that their food products are free from disease-causing bacteria, and that the current bacterial standards are necessary for the future protection of raw milk consumers in the State.

DPH and this office oppose SB 201. Because opposition to SB 201 is consistent with existing policy to support legislation that enhances food safety programs and regulations, **our Sacramento advocates will oppose SB 201.**

SB 201 is supported by the Alliance of Western Milk Producers, California Dairy Institute, California Real Milk Association, Organic Pastures Dairy Company, National Association of Nutrition Professionals, and Western United Dairywomen. It is opposed by the Health Officers Association of California. SB 201 passed the Assembly Agriculture

Committee on June 25, 2008 by a vote of 8 to 0, and now proceeds to the Assembly Appropriations Committee. There is no date set for a hearing in that Committee.

SB 840 (Kuehl), as amended on July 10, 2007, would create the California Healthcare System (CHS), a single payer health care program to provide health insurance coverage to all California residents. CHS would be administered by a new California Healthcare Agency, an independent agency under the control of a Healthcare Commissioner. SB 840 would prohibit any healthcare service plan or health insurance policy, except for CHS, from being sold in California for services provided by CHS. It would become operative only when the Secretary of Health and Human Services determines that the Healthcare Fund has sufficient revenues to implement the bill. SB 840 requires the single payer system to be operational no later than two years after it is determined that there are sufficient funds to implement the program.

Governance. SB 840 would establish a Commissioner, appointed by the Governor and confirmed by the Senate, to be the chief officer of CHS and to administer all aspects of the California Healthcare Agency. The Commissioner would have broad powers to establish the CHS budget, goals, standards, priorities, and set rates, with the assistance of several boards and committees. The Commissioner would be required to report to the Legislature and the Governor annually.

Funding. SB 840 would require the Commissioner to seek necessary approval so that all current Federal payments for health care are paid to CHS, which would then assume responsibility for all services currently financed with these funds. Similarly, the Commissioner would be required to seek all necessary waivers so that all current State payments are paid directly to CHS, and would establish formulas for equitable contributions to CHS from counties and other local government agencies. The transition to CHS would be funded by a loan from the State General Fund and other sources to be identified by the Commissioner.

SB 840 also would require the establishment of the California Healthcare Premium Commission (CHPC), which would be composed of 21 members, including elected and appointed State officials, health economists, and representatives of business, labor, and non-profit universal health care and taxation policy organizations. The CHPC would be required to develop an equitable and affordable premium structure that will generate adequate revenue to ensure stable funding for the health insurance system.

Delivery of Care. All licensed and accredited health care providers in the State would be allowed to participate in CHS. SB 840 would allow patients to select a primary care provider and would allow women to select an obstetrician-gynecologist in addition to a primary care provider.

Oversight. An Office of the Inspector General for CHS would be established in the Office of the Attorney General to investigate, audit, and review the financial and business records of entities that provide services or products to the system and are reimbursed by the system.

Fiscal Analysis. An actuarial analysis of a prior version of this legislation by the Lewin Group estimated the total health spending for California residents under the current system at \$184.2 billion for 2006. In addition, the analysis indicated that the single payer program would have achieved universal coverage while reducing total Statewide spending by a net of \$7.9 billion. This savings would have been realized by reducing administrative costs within the current system and savings from bulk purchasing of prescription drugs and durable medical equipment.

Support and Opposition. SB 840 is sponsored by the California Nurses Association, California School Employees Association, and the California Teachers Association. It is supported by over 200 organizations and individuals including the Alameda County Public Health Department; American Civil Liberties Union; American Federation of State, County and Municipal Employees; American Federation of Teachers; California Federation of Teachers; American Nurses Association of California; California Association of Health Plans; California Federation of Teachers; California Professional Firefighters; Consumer Attorneys of California; Consumers Union; Gray Panthers; Health Access California; Health Officers Association of California; Representative Howard L. Berman; League of Women Voters, California; Los Angeles Unified School District; and Service Employees International Union.

SB 840 is opposed by over 25 health organizations, largely health insurance plans, chambers of commerce, and taxpayers associations including the Association of California Life and Health Insurance Companies; Blue Cross of California; Blue Shield of California; California Association of Health Plans; California Chamber of Commerce; California Manufacturers and Technology Association; California Medical Association; Cal-Tax; Health Net; Howard Jarvis Taxpayers Association; and Kaiser Permanente.

On April 29, 2003, your Board approved a motion to support SB 921 (Kuehl), which would have established a similar single payer health care system in California. SB 921 passed the Senate and Assembly Health Committees, but died in the Assembly Appropriations Committee. On August 16, 2006 your Board supported SB 840 (Kuehl), a prior version of the current bill, which also would have provided health insurance coverage to all California residents through a single payer insurance program. That bill was vetoed by the Governor.

With the understanding that the current version of SB 840 remains a work in progress, and consistent with prior County support for SB 921 and the earlier version of SB 840, **our Sacramento advocates will support SB 840 in concept.** SB 840 passed the

Assembly Health Committee on July 9, 2007, by a vote of 12 to 5 and is awaiting a hearing date in the Assembly Appropriations Committee.

Legislative Analyst's Office Releases Evaluation of SB 840 (Kuehl)

The Legislative Analyst's Office (LAO) recently released a confidential fiscal analysis of SB 840 and its companion financing mechanism, requested by anonymous members of the Assembly. The LAO acknowledges that it was not possible to base the analysis entirely on the bill as written because some of the parameters of the system are not yet determined; however, staff consulted with Senator Kuehl's office to better understand the author's intent. The analysis also relied on a financing mechanism Senator Kuehl provided to Legislative Counsel and to the LAO on May 13, 2008. Based on the information available, the LAO projected that SB 840 would result in expenditures exceeding revenues by \$29 billion in FY 2010-11 and by \$42 billion in FY 2011-12.

Status of County Advocacy Legislation

County-support if amended AB 938 (Calderon), which would have authorized cities and counties to convene watershed water quality committees composed of specified representatives to develop and facilitate cooperation in achieving local water quality solutions and prepare work plans that lead to the development of watershed quality management plans, was amended on June 30, 2008 to state legislative intent to remedy pollution from urban runoff, stormwater, and other forms of runoff. As the amended version of AB 938 no longer addresses the purposes for our prior support, **our Sacramento advocates will drop our support if amended position and take no position on this bill.**

County-supported AB 1252 (Caballero), which would appropriate an additional \$150 million from Proposition 1C, the Housing and Emergency Trust Fund Act of 2006 and \$150 million from Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and the Port Security Bond Act of 2006 to address the State's pressing need for affordable housing and transportation infrastructure, was signed by the Governor on June 30, 2008 (Chapter 39, Statutes of 2008). As an urgency measure, the legislation is effective immediately.

Status of County-Interest Legislation

County-supported AB 550 (Ma), as amended on June 19, 2008, which would delete the requirement that the County Assessor conduct audits every four years for businesses which own, claim, possess or control locally assessable trade fixtures and business tangible property with a full value of at least \$400,000, passed the Senate Committee on Revenue and Taxation on June 25, 2008 by a vote of 5 to 0, and now proceeds to the Senate Appropriations Committee. The June 19, 2008 amendments

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would require that 50 percent of the required audits be performed on taxpayers randomly selected from a pool of those that have the largest assessments of locally assessed trade fixtures.

We will continue to keep you advised.

WTF:GK
MAL:DD:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants